

Shut the barn door

ALUN OLIVER looks at BPPRA on barn conversions for holiday letting.

Business premises renovation allowance (BPPRA) is a very attractive incentive, giving 100% relief on expenditure to return a commercial building to use after it has been empty for a year. There are several restrictions, notably that it must be in an assisted area. However, if these are met, can the relief be used to renovate a derelict barn into a property used for furnished holiday lettings (FHLs)? The answer is not obvious.

Views against

My main concern is the prohibition of a valid BPPRA claim on properties in use (or previously used) for “farming” under the EU state aid restrictions. Hence the first hurdle would be to ensure the prior use is compliant with the BPPRA rules – which state that these premises are not “qualifying business premises”:

- if they are used or available for use as a dwelling;
- where the person holding the relevant interest in them is carrying on a relevant trade; or
- if they are used wholly or partly for the purposes of a relevant trade.

A relevant trade includes the primary production of most agricultural products, so this is the most likely reason for a claim to fail. However, a building which has been used for other

HELPSHEET 252

The BPPRA scheme took effect from 11 April 2007. It was due to end on 10 April 2012, but has been extended to 5 April 2017 for income tax purposes. It covers expenditure on the conversion or renovation of unused business premises in order to bring them back into business use. A 100% allowance for the capital costs incurred can be claimed, subject to the following rules. To qualify for BPPRA, the premises must:

- not have been used for any trading or other business activity, or as offices, for at least one year before the works began;
- be in an assisted area, that is, an area which is considered to be disadvantaged and eligible for national regional aid; and
- be available for business or commercial use after the works are complete (but not for farming).

BPPRA cannot be claimed where the building has been used for farming.



activities such as further processing, or which has been derelict for decades, may qualify.

FHLs are treated as trades for some tax purposes, but another question mark arises because the eligibility for capital allowances for expenditure on FHLs is defined in CAA2001, part 2 (s 15). This states that FHLs are qualifying activities for the purpose of this part and so arguably does not cover BPPRAs under part 3A.

Finally, s 360D defines a “qualifying business premises” as those used, or available and suitable for letting for use for the purposes of a trade, profession or vocation. FHL is not strictly a trade, but a deemed trade for purposes of part 2, not part 3A.

Views for

Even so, assuming the relevant barns are not caught by the relevant trade restriction one could arguably prepare a claim for BPPRAs on any such property in use as a FHL. This would be relying on HMRC *Helpsheet 253* (2013), which states FHLs are designated a “commercial property business” and “treated as a trade” for capital allowances purposes, and on the extract from **Helpsheet 252**. However, on balance I believe 100% BPPRAs may be risky, so would prefer to seek HMRC advice first – particularly if large capital expenditure is envisaged.

That said, ordinary capital allowance claims should be available for plant and machinery and integral features, which could still be a significant part of the project costs. AIA on the first £500,000 might make it attractive for accelerating the available tax relief. Additional thermal insulation costs would be available in the special rate pool, and enhanced capital allowances could be optimised for energy and water-efficient assets resulting in good levels of claim without the need for BPPRAs. But this would mean accepting that little or no relief was due on the expenditure incurred on the structure and fabric of the barns, other than any applicable repairs and maintenance deductions. ■

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